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C O N F I D E N T I A L BUCHAREST 000385

SIPDIS

STATE FOR SE MORNINGSTAR, EUR/CE ASCHIEBE, AND EUR/ERA
EMCCONAHA

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SUBJECT: ROMANIA: DEMARCHE RESPONSE ON IRAN AS A SOURCE OF
GAS IN NABUCCO ISA

REF: A) SECSTATE 54469 B) BUCHAREST 306

Classified By: Charge d'Affaires, a.i. Jeri Guthrie-Corn for reasons 1.
4 (b) and (d)

¶1. (C) Acting DCM and EconOff delivered ref A demarche points to Romania's chief negotiator for the Nabucco inter-state agreement (ISA), Ministry of Foreign Affairs (MFA) Director General (DG) Calin Stoica, on June 2. (Stoica had been unavailable earlier, as he was in Vienna for the latest round of ISA talks.) DG Stoica appreciated Washington's intervention on this issue in response to the concerns Romania had raised earlier (ref B). He said that the latest draft ISA text, which was agreed "ad referendum," contained no specific references to any countries as initial entry points. DG Stoica added that, failing a U.S. intervention or a change in position by other negotiators, his instructions during the most recent negotiating session were to accept a mention of Iran as a last resort, if necessary, to keep the Nabucco ISA process moving forward. He made it clear that for the Government of Romania (GOR), success on Nabucco outweighs all other considerations, but that the GOR much prefers the current version of the text.

¶2. (C) According to Stoica, the Turks had objected to specific reference to an entry point for Iraq. Romania seized on that to push for removal of all specific country references, and the compromise was accepted. The revised text now reads: "Initial Entry Points shall mean the starting points of the Nabucco project at any (three) points on the eastern or southern land borders of the republic of Turkey as selected by Nabucco International Company, and subject to agreement by the Nabucco Committee in consultation with Nabucco International Company, any other point at the eastern or southern Turkish border." Romania's preference is that the text not refer to a particular number of entry points. However, because it has only been agreed "ad referendum," Stoica expects that Turkey may try to change the number of entry points in brackets from three to two, to which Romania would not object.

¶3. (C) Stoica underlined that while the ISA still appears to be on track for an end-of-June signing, Turkey has indicated that it will only ratify the document in conjunction with an approved Project Support Agreement (PSA). Stoica is wary that Turkey may try to use the PSA (which is a bilateral agreement between the State and the Nabucco International Company) to achieve guaranteed gas supplies or a better taxation formula from Nabucco, possibly undermining the carefully crafted language in the ISA. The one portion of the ISA still not provisionally agreed is Article 11, which deals with tax issues. There is still debate among the Nabucco partners as to the best formula for calculating the value of gas transiting the Nabucco pipeline, and hence the amount each state will be allowed to extract in taxes. He expected negotiations on this point to continue by e-mail,

with a possible meeting on June 15-16 to finalize Article 11.

¶4. (C) Stoica affirmed that all parties to Nabucco had equal rights to book capacity on the pipeline, something that Romania fully intends to do. This may mean that the amount of gas ultimately arriving in Baumgarten will be much lower than the amount initially shipped. Stoica encouraged the U.S. to remain engaged in this process, both as the ISA nears completion this month, and in providing encouragement to the other states-parties to complete PSAs, in accord with the ISA, in a timely manner.

GUTHRIE-CORN